

Statement as of 12-31-2003 of 933-0291 UDC Dental California, Inc.

Notes to Financial Statements

1. The Organization and Its Operations

UDC Dental California, Inc. (the Company) was incorporated in California on February 29, 1988. On December 15, 1989, the Company received its license to operate under California statutes. The Company commenced operations during 1990 as a prepaid dental plan providing basic dental services to subscribers.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the state of California.

Restricted Assets

Certificates of Deposit are at face value plus interest earned to date.

Property and Equipment

The Company has no furniture and equipment at this time.

Accrued Dental Claims

Accrued dental claims and related expenses include amounts billed and not paid and an estimate for claims that were incurred but not reported (unbilled) for services to the balance sheet date.

Premium

Premium billed to group subscribers is recognized as revenue in the month in which subscribers are entitled to receive dental care. The allowance for doubtful accounts for uncollectible premiums over 90 days past due is recorded as an expense when established.

Minimum Net Worth Requirements

Under the laws of the State of California, the plan is required to provide a minimum statutory capital and surplus based upon a percentage of annual premium volume. The Company had capital and surplus (tangible net equity) of \$2,616,040 at December 31, 2003 and \$2,293,750 at December 31, 2002. Total stockholders' equity was \$2,616,040 at December 31, 2003 and \$2,293,750 at December 31, 2002.

Administrative Service Only Contracts

The Company does not have any self-insured contracts.

3. Related Parties

The Company is a wholly owned subsidiary of Dental Care Holdings, Inc., which is a wholly owned subsidiary of Fortis, Inc. Due to the extensive transactions and relationships within the group, it is possible that terms of these transactions are not the same as those resulting from transactions of unrelated parties. Substantially all of the Company's accounting, administrative and computer-processing services are performed by an affiliate.

4. Federal Income Taxes

For year ending December 31, 2002, the Company is included in the consolidated federal income tax return filed by its ultimate parent company, Fortis, Inc., with member

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companies, and has recorded its portion of federal income tax expense and paid a portion of such in accordance with the written tax allocation agreement.

5. Retirement Plans and Deferred Compensation

The Company does not have any retirement plans or deferred compensation.

6. Dividend Restrictions

The Company's surplus as regards policyholders following any dividends or distributions to the holding company or shareholder affiliates shall be reasonable in relation to the company's outstanding liabilities and adequate to its financial needs.

7. Events Subsequent

The Company has no subsequent events to report.